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C O N F I D E N T I A L SECTION 01 OF 03 PORT MORESBY 000338

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FOR EAP DAS DAVIES

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SUBJECT: SOLOMON ISLANDS - RAMSI FACES A BLEAK TIME

REF: PORT MORESBY 203 (AND PREVIOUS)

CLASSIFIED BY: Robert Fitts, Ambassador, U.S. Embassy Port Moresby, Department of State.

REASON: 1.4 (b), (d)

1.(C) SUMMARY: The government installed after the April riots is a fractious coalition of five parties, littered with big egos with differing agendas. The agendas are conflicting, but each features an ambitious initiative unhelpful to the RAMSI's determined efforts to re-build government institutions. One example is devolution of government services to a new system of provincial governments, which the country has neither the personnel nor the resources to establish.

2.(C) Moreover, though measured in public, the Prime Minister in private can be very critical of what he sees as RAMSI's political role in the turmoil/riots which led to the formation of his government. He has fired the Attorney General who (on RAMSI advice) filed an objection to a commission of inquiry looking into whether continued detention of prospective government ministers was not politically motivated. The Government may also be contemplating removal of the Australian (non-RAMSI, but few Solomon Islanders make the distinction) Police Commissioner for his handling of the riots.

3.(U) The April riots destroyed a fair chunk of the capital's retail establishments, but it appears the economic damage may not be as bad as initially feared. The two major foreign investments on Guadalcanal (a gold mine and a palm oil plantation) are reopening. However, given the decline in GDP of perhaps a third during the years of ethnic tension, per capita income may not return to pre-crisis levels for twelve years, well past the envisioned end of the Australian commitment. END SUMMARY:

RERUN ON A DOWNWARD SLOPE

4.(C) There have been better times and worse times over the years, but the long-term trend in Solomon Island government must be seen as generally downhill. After ethnic violence beginning in 1998, militant immigrants from Malaita in Honiara formed a Malaita Eagle Force (MEF) and briefly detained the then Prime Minister, bringing down the government. Manasseh Sogavare emerged as PM and presided over an ineffectual and corrupt government while the country slid into further disorder. After another election, things became so bad that the new Parliament unanimously invited in the Australian-led intervention, RAMSI. Order was quickly restored and virtually everyone in Solomon Islands is grateful to RAMSI for that. However, the political elite began to chafe privately over Australia's large say in the government. Arrest and conviction of three ministers in the former government by the Australian-led and RAMSI dominated

police, while a tonic to impartial observers, heightened their disquiet.

5.(U) New elections in April, 2006, led to rioting supposedly in reaction to Taiwanese corrupting influence over the initially selected PM. That figure resigned and, once again, Manasseh Sogavare emerged from the violent confusion. Two leading figures in Sogavare's coalition were allied to the earlier MEF movement and are still in jail for inciting these latest riots.

RICKETY GRAND COALITION AND THE USUAL SUGAR DADDY

6.(C) Billed as a grand coalition, the government is actually a rickety amalgam of five parties, littered as is all Solomon Islands politics with egos from the past (including three former PMs). Already, Sogavare has threatened to sack three and actually sacked one minister for the ostensible reason that he backed relations with Beijing rather than Taiwan. Though the government was born in riots over the previous PM's alleged funding by Taiwan, the new government has quickly tacked in the same direction, likely following the same cash. The PM's first foreign visit, with a large government delegation, was to Taipei. Moreover, he cancelled a trip to PNG. The reason, widely believed in Honiara, was that Taiwan wanted to prevent him meeting with the PRC Ambassador in Port Moresby.

OK IT'S BROKE. BUT HOW TO FIX IT?

7.(C) As is clear to every observer, over the 28 years since independence, modern government has failed to take firm root in Solomon Islands soil. The Grand Coalition's leaders agree and have grand plans to set things right. The problem is that different leaders have different plans and none of them seems overly taken with RAMSI's effort to make the current organs of government minimally efficient. During a recent visit, differing leaders spoke confidently to the Ambassador of the government's direction.

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- The PM maintained that the major task is to organize reconciliation and compensation to alleviate communal grievances still fresh from the earlier crisis. With the economy still far below pre-crisis levels, he dismissed as inconvenient the observation that such a level of financing simply wasn't available.

- The Finance Minister maintained that the government was going to concentrate on rewriting the entire legal code (now based on English common law) so that traditional communal concepts would be reinforced over private property. Since not much development had taken place in the past 28 years, the minister was not overly concerned about the impact that move would have on investment.

- The Minister for Finance and Planning (whose turf would seem to overlap with the figure above) maintained that the government would devote its energies to developing and implementing a complex rural development plan which would identify crops and industries appropriate to each micro-community rather than push a national strategy.

- The Foreign Minister declared that the major task was to rebuild the public service from the ground up (a note of sanity here) so that it would be unsullied by the bad habits of the past entrenched bureaucrats. However, the Prime Minister addressed the same issue, on an opposite tack. He maintained the task was to quickly replace the senior RAMSI civil servants with well-qualified locals who could do the jobs and assert Solomon Island control.

- All took as given an ADB-researched plan to establish a federal government. [ADB went to many local leaders and asked if they would prefer to have more political power and work with funding provided by donors and the national government. ADB officers believe it a profound result that nearly all said yes.] Current planning is proudly patterned on the provincial government system of neighboring PNG. However, the PNG system

has seen a marked increase in the level of government corruption and a dramatic decrease in government services. Given the still-precarious state of Solomon Island finances, this politically popular move raises serious fiscal questions. The precedent also bodes ill for a key RAMSI concern, effectiveness of government.

FIRST STEPS MAY BE BACKWARD

8.(C) The political violence from which the current government emerged understandably colors its first few steps. Sogavare lost little time in naming as his Police Minister Charles Dausebea, one of the two figures who had been arrested by the (RAMSI dominated) police for inciting the riots. [Note, the most prominent facility targeted by the rioters and burned to the ground, was the Pacific Casino which was the only competitor to Honiara casino in which Dausebea has an interest. So there may have been more than ethnic politics at play.] Though he remains in detention and has been repeatedly denied bail, Dausebea is widely believed to have a major influence in the government. Dausebea is also permanently excluded from entering the U.S. for his activities during the violence four years ago.

9.(C) Sogavare has established a Commission of Inquiry to the April riots and was immediately in a controversy over charging it to determine if the detention of Dausebea was politically motivated. The Attorney General quickly filed a court case challenging that mandate as a violation of separation of powers since the question was before the courts. Most observers in Honiara (and the PM himself in private) hold that the A/G's challenge was at the behest of the RAMSI officer serving as Solicitor General.

10.(C) On August 21, Sogavare announced he was sacking the A/G over the incident. His speech noted that the A/G claimed to be working in the public interest, but maintained that the government was by definition the public interest. Moreover, the PM announced he would appoint an ethnic Indian from Fiji, one Julian Moti, as A/G. [We understand Moti to be of long and dubious reputation.] In case anyone missed it, Sogavare sharpened the point of contention with RAMSI, saying that Moti "is already suffering as a result of willingness to serve." He is being investigated by Australian Federal Police.

11.(C) There is also much talk in town, touched on during our meetings with government leaders, that the current Commissioner of Police might shortly be replaced. The Commissioner is an Australian-funded Australian officer who was brought on with GOA pressure. As he is not part of the RAMSI structure, he can be taken on independently. The charge would be that the police were late in responding to the April riots and then handled them inexpertly.

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12.(SBU) The current worrisome atmosphere has been reinforced by a final development, which would not be crucially important on its own. Members of the Malaita Eagle Force have been reconstituted as a security company and been awarded the contract to protect the PM's and other major government offices.

RAMSI OUTLOOK

13.(C) RAMSI remains overwhelmingly popular with the Solomon Island public, particularly for the quick return to law and order (albeit marred by the April riots). Even the PM, in talking of the need to replace RAMSI civil servants, qualifies that by the observation that RAMSI should still remain in the police. However, inevitably, some of the bloom has worn off the rose as the public has not seen a quick pick up in the economy (beyond the bubble in the capital due to the large number of RAMSI expats.) Indeed, the economy lost fully a third of GDP during the earlier troubles. Given the high population growth rates, per capita income will likely not return to pre-crisis levels until well after the end of RAMSI's current presumed span of ten years.

14.(C) Over the past three years, RAMSI has brought order, but

the events of April have also shown to all that social and ethnic fundamentals have yet to change. If RAMSI officers should leave tomorrow, the Solomons could quickly revert to the sad state before its arrival. However, RAMSI may well be having some success in reviving the spirit of government institutions. The Attorney General, albeit with strong RAMSI backing, did step forward to defend the separation of powers.

15.(C) The question is how much more progress will be possible if the current government MIRVS into its many contradictory directions rather than focusing on the ball as pitched by RAMSI; rebuilding current government institutions in the breathing space bought by large-scale assistance by Australia and other neighbors.

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